

ROCK RIVER TOWNSHIP, MICHIGAN
(Alger)
FINANCIAL STATEMENTS

For the Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

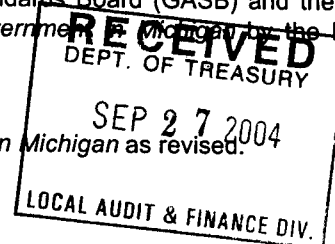
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Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Rock River Township</u>	County <u>Alger</u>
Audit Date <u>3/31/04</u>	Opinion Date <u>6/7/04</u>	Date Accountant Report Submitted to State: <u>9/30/04</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government* as revised by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <u>Anderson, Tackman & Co, PLLC</u>			
Street Address <u>102 W. Washington St, Suite 109</u>	City <u>Marquette</u>	State <u>MI</u>	ZIP <u>49855</u>
Accountant Signature <u>Michael A. [Signature] CPA</u>			

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

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DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
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MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Members of
the Township Board of Trustees
Rock River Township, Michigan
P.O. Box 195
Chatham, Michigan 49816

We have audited the financial statements of the governmental activities, major funds, and remaining fund information, which collectively comprise the basic financial statements of the Rock River Township, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, major funds and remaining fund information of the Rock River Township, Michigan at March 31, 2004, and the changes in financial position, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Rock River Township, Michigan has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – And Management's Discussion And Analysis – For State and Local Governments*, as of March 31, 2004.

The Management's Discussion and Analysis and budgetary comparison information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Supervisor and Members of
the Township Board of Trustees
Rock River Township, Michigan

In accordance with *Government Auditing Standards*, we have also issued a separate report to management dated July 2, 2004 on our consideration of the Rock River Township, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the Rock River Township, Michigan's basic financial statements taken as a whole. The combining and individual fund statements and schedules as listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Rock River Township, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

July 2, 2004

Township of Rock River, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Rock River Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2004. Please read it in conjunction with the financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The Township's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A.
- Net assets for the Township as a whole increased by \$6,345 or 2 percent as a result of this year's operations.
- During the year, the Township had expenses for governmental activities that were \$159,652.
- The General Fund reported a net fund balance of \$192,029. This was \$14,979 higher than the forecasted decrease of \$160.00.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 31. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 7. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's *net assets* and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the *overall financial health* of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township has no business-type activities.

Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 31. The fund financial statements begin on page 31 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the Township charges customers for the services it provides – whether to outside customers or to other units of the Township – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Township as Trustee

The Township is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 18. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township as a Whole

Table I provides a summary of the Township's net assets as of March 31, 2004.

Table 1
Net Assets

	Governmental Activities - 2004	Business-Type Activities - 2004	Total Primary Government - 2004
Current and other assets	\$210,045	-	\$210,045
Capital assets, net	135,964	-	135,964
Total Assets	<u>346,009</u>	<u>-</u>	<u>346,009</u>
Current liabilities	13,341	-	13,341
Noncurrent liabilities	-	-	-
Total Liabilities	<u>13,341</u>	<u>-</u>	<u>13,341</u>
Net Assets:			
Invested in capital assets, net of related debt	124,189	-	124,189
Restricted	-	-	-
Unrestricted (deficit)	208,479	-	208,479
Total Net Assets	<u>\$332,668</u>	<u>-</u>	<u>\$332,668</u>

Net assets of the Township's governmental activities stood at \$332,668. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$208,479.

The \$208,479 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2004. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2
Change in Net Assets

	Governmental Activities - 2004	Business-Type Activities - 2004	Total Primary Government - 2004
Revenues			
Program Revenues:			
Charges for services	\$21,070	-	\$21,070
General Revenues:			
Property taxes	54,650	-	54,650
State Sources	86,096	-	86,096
Interest and Miscellaneous	4,181	-	4,181
Total Revenues	<u>165,997</u>	<u>-</u>	<u>165,997</u>
Program Expenses:			
Legislative	5,022	-	5,022
Elections	-	-	-
General Services and			
Administration	50,585	-	50,585
Public Safety	49,739	-	49,739
Public Works	4,677	-	4,677
Community & Economic			
Development	3,801	-	3,801
Recreation and Culture	22,761	-	22,761
Other	23,067	-	23,067
Total Expenses	<u>159,652</u>	<u>-</u>	<u>159,652</u>
Excess (deficiency) before transfers	6,345	-	6,345
Transfers	-	-	-
Increase (decrease) in net assets	6,345	-	6,345
Net assets, beginning, as restated	326,323	-	326,323
Net Assets, Ending	<u>\$332,668</u>	<u>-</u>	<u>\$332,668</u>

The Township's total revenues were \$165,997. The total cost of all programs and services was \$159,652, leaving an increase in net assets of \$6,345. Our analysis below separately considers the operations of governmental activities:

Governmental Activities

The net assets of the Township's governmental activities increased \$6,345 for the year ended March 31, 2004.

The reason for the increase of \$6,345 is because this is the first year of GASB 34 and we have no prior years figures to go by. In future years we will be able to justify increases or decreases.

THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 13 reported a *combined* fund balance of \$208,479 an increase of \$21,830 from the beginning of the year.

There are three reasons for this increase. 1) we received a contribution from Kimberly-Clark Corp. 2) we had a Fund Raiser Event for our Library renovations, and 3) we received donations toward supplies for a groomer we purchased.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

General Fund Budgetary Highlights

Over the course of the year, the Township Board revised the budget a few times.

We made a few small minor adjustments. We did not adjust our Revenue Sharing, which was more than we anticipated, then the adjustment caused by GASB 34 also created a difference. We purchased a groomer for our ski hill and did not adjust the budget for that.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004, the Township had \$135,964 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities - 2004	Business-Type Activities - 2004	Totals - 2004
Land	\$ 41,500	-	\$ 41,500
Buildings and improvements	47,314	-	47,314
Equipment and furnishings	47,150	-	47,150
	<u>\$135,964</u>	<u>-</u>	<u>\$135,964</u>

Debt

At year-end, the Township had \$11,775 in bonds and notes outstanding as depicted in Table 4 below.

Table 4
Outstanding Debt at Year-End

	Governmental Activities - 2004	Business-Type Activities - 2004	Totals - 2004
Note Payable – Fire Truck	<u>\$11,775</u>	<u>\$ -</u>	<u>\$11,775</u>

There was no new debt for this fiscal year and further debt can be found in Note E.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The differences that we anticipated for the year ending March 31, 2005 are a 10% decrease in State Revenue Sharing, this will be offset by a related 10% decrease in our expenditures. In addition, we are planning for the renovation of our library, for which we are still awaiting the contractors proposals. We have a proposal coming up in November for an increase our operating millage. Also, we are trying to sell a Fire Truck and a Groomer Drag to help increase our revenues.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rock River Township, P.O. Box 195, Chatham, Michigan, 49816.

Township of Rock River, Michigan

STATEMENT OF NET ASSETS

March 31, 2004

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current Assets:		
Cash and investments	\$ 181,880	\$ 181,880
Cash and investments - restricted	-	-
Receivables (net)	28,165	28,165
TOTAL CURRENT ASSETS	210,045	210,045
Non-current assets:		
Investment in treatment facility	-	-
Land and construction in progress	41,500	41,500
Other capital assets	373,914	373,914
Accumulated depreciation	(279,450)	(279,450)
Total Capital Assets	135,964	135,964
TOTAL NON-CURRENT ASSETS	135,964	135,964
TOTAL ASSETS	346,009	346,009
LIABILITIES:		
Current Liabilities:		
Accounts payable	-	-
Accrued liabilities	1,566	1,566
Deferred revenue	-	-
Current portion of loans payable	11,775	11,775
Other current liabilities	-	-
TOTAL CURRENT LIABILITIES	13,341	13,341
Non-current Liabilities:		
Compensated absences	-	-
Loans payable	-	-
TOTAL NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	13,341	13,341
NET ASSETS		
Invested in capital assets net of related debt	124,189	124,189
Restricted for:		
Debt Service	-	-
Unrestricted	208,479	208,479
TOTAL NET ASSETS	\$ 332,668	\$ 332,668

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended March 31, 2004

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Total
Primary Government:					
Governmental Activities:					
Legislative	\$ 5,022	\$ -	\$ -	\$ (5,022)	\$ (5,022)
Elections	-	-	-	-	-
General services and administration	50,585	11,555	-	(39,030)	(39,030)
Public safety	49,739	440	-	(49,299)	(49,299)
Public works	4,677	-	-	(4,677)	(4,677)
Community and economic development	3,801	-	-	(3,801)	(3,801)
Recreation and culture	22,761	9,075	-	(13,686)	(13,686)
Other	23,067	-	-	(23,067)	(23,067)
Total Governmental Activities	159,652	21,070	-	(138,582)	(138,582)
TOTAL PRIMARY GOVERNMENT	\$ 159,652	\$ 21,070	\$ -	\$ (138,582)	\$ (138,582)
General Revenues:					
Taxes				54,650	54,650
Unrestricted State sources				86,096	86,096
Interest and investment earnings				2,683	2,683
Miscellaneous				1,498	1,498
Transfers				-	-
TOTAL GENERAL REVENUES AND TRANSFERS				144,927	144,927
CHANGE IN NET ASSETS				6,345	6,345
Net assets, beginning of year, as restated				326,323	326,323
NET ASSETS, END OF YEAR				\$ 332,668	\$ 332,668

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2004

	General Fund	Fire Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 175,042	\$ 6,838	\$ 181,880
Receivables	14,984	-	14,984
Taxes receivable	6,399	6,433	12,832
Due from other funds	349	3,179	3,528
TOTAL ASSETS	\$ 196,774	\$ 16,450	\$ 213,224
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	3,179	-	3,179
Accrued payroll and related	1,566	-	1,566
Deferred revenue	-	-	-
TOTAL LIABILITIES	4,745	-	4,745
FUND BALANCE:			
Reserved for:			
Capital outlay	-	-	-
Unreserved, reported in:			
General Fund	192,029	-	192,029
Capital Projects Funds	-	16,450	16,450
TOTAL FUND BALANCE	192,029	16,450	208,479
TOTAL LIABILITIES AND FUND BALANCE	\$ 196,774	\$ 16,450	\$ 213,224

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2004

Total Fund Balances for Governmental Funds	\$	208,479
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		135,964
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Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	<u>\$ 11,775</u>	(11,775)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 332,668</u></u>

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended March 31, 2004

	General Fund	Fire Fund	Total Governmental Funds
REVENUES:			
Taxes	\$ 32,126	\$ 22,524	\$ 54,650
Licenses and permits	-	-	-
State sources	86,536	-	86,536
Charges for services	15,525	-	15,525
Interest	7,712	76	7,788
Other	1,498	-	1,498
TOTAL REVENUES	143,397	22,600	165,997
EXPENDITURES:			
Current operations:			
Legislative	5,022	-	5,022
Elections	-	-	-
General services and administration	49,345	-	49,345
Public safety	22,290	-	22,290
Public works	4,677	-	4,677
Community and economic development	3,801	-	3,801
Recreation and culture	21,691	-	21,691
Other	21,752	-	21,752
Capital outlay	-	-	-
Debt service	-	15,589	15,589
TOTAL EXPENDITURES	128,578	15,589	144,167
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	14,819	7,011	21,830
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	14,819	7,011	21,830
Fund balance, beginning of year, as restated	177,210	9,439	186,649
FUND BALANCE, END OF YEAR	\$ 192,029	\$ 16,450	\$ 208,479

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended March 31, 2004

Net Change in Fund Balances - Total Governmental Funds **\$ 21,830**

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense. This is
the amount by which capital outlays exceeded depreciation in the
current period.

Capital outlays	\$ 12,714	
Depreciation expense	<u>(42,473)</u>	
		(29,759)

Repayment of loan principal is an expenditure in the governmental
funds but the repayment reduces long-term liabilities in the statement
of net assets.

14,274

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 6,345

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

March 31, 2004

	<u>Agency Funds</u>
ASSETS:	
Cash and investments	<u>\$ 349</u>
TOTAL ASSETS	<u><u>\$ 349</u></u>
LIABILITIES:	
Due to other funds	<u>\$ 349</u>
Due to others	<u> -</u>
TOTAL LIABILITIES	<u><u>\$ 349</u></u>

The accompanying notes are an integral part of these financial statements.

ROCK RIVER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township does not have any business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- ***General Fund*** – The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- ***Fire Fund*** – The Fire Fund is used to account for financial resources to be used for the acquisition of capital expenditures relating to fire equipment (other than those financed by business-type/proprietary funds).

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Township:

- ***Enterprise Funds*** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Fire Fund** accounts for the purchase of capital assets of the Fire Department.

The Township reports the following major proprietary funds:

- The Township does not have any proprietary funds.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to March 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Rock River Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

2. The following considerations must be reviewed in determination of transfer approvals:

- a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
- b. Will the transfer maintain the financial integrity of the Township?
- c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- f. The Rock River Township adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

Cash Equivalents and Investments - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Land improvements	15 years
Building, structures and improvements	40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

Long-Term Liabilities: In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Interfund Activity – Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Implementation of New Accounting Principles – In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB No. 34). Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operation's.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- Financial statements prepared using full accrual accounting for all of the Township's activities, including infrastructure (e.g. streets, bridges and sidewalks)

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). There was no current year additions to infrastructure to be reported in these financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:

The composition of cash and investments as reported in the combined balance sheet is presented below:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Investments:			
Unrestricted	<u>\$181,880</u>	<u>\$349</u>	<u>\$182,229</u>
TOTAL	<u>\$181,880</u>	<u>\$349</u>	<u>\$182,229</u>
	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Composition of Balances:			
Cash in banks	\$139,735	\$349	\$ 140,084
Certificates of Deposit	<u>42,145</u>	<u>-</u>	<u>42,145</u>
TOTAL	<u>\$181,880</u>	<u>\$349</u>	<u>\$182,229</u>

Act 196, PA 1997, authorized the Township to deposit and invest in:

- Bonds, securities, and other direct obligations of the United States or its agencies.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptance of United States banks.
- Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.
- Obligation of the State of Michigan or its political subdivisions which are rated investment grade.
- Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Deposits

At year-end, the carrying amount of the Township's deposits was \$140,084 and the bank balance was \$141,482. Of the bank balance, \$100,005 was covered by federal depository insurance according to FDIC regulations.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE C – INTERFUND BALANCES:

A summary of interfund receivable and payables are:

	<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
PRIMARY GOVERNMENT:				
General		\$ 349	Fiduciary	\$ 349
Fire		<u>3,179</u>	General	<u>3,179</u>
	TOTAL	<u>\$3,528</u>	TOTAL	<u>\$3,528</u>

NOTE D – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, <u>2003</u>	<u>Additions</u>	<u>Disposals</u>	Balance at March 31, 2004
GOVERNMENTAL ACTIVITIES:				
Land	<u>\$41,500</u>	\$ -	\$ -	<u>\$ 41,500</u>
Total Capital Assets, not being depreciated	<u>41,500</u>	-	-	<u>41,500</u>
Buildings and improvements	114,700	-	-	114,700
Furniture and equipment	<u>246,500</u>	<u>12,714</u>	-	<u>259,214</u>
Total Capital Assets, being depreciated	<u>361,200</u>	<u>12,714</u>	-	<u>373,914</u>
Less Accumulated Depreciation:				
Buildings and improvements	(64,518)	(2,868)	-	(67,386)
Furniture and equipment	<u>(172,455)</u>	<u>(39,605)</u>	-	<u>(212,604)</u>
Total Accumulated Depreciation	<u>(236,977)</u>	<u>(42,473)</u>	-	<u>(279,450)</u>
Governmental Activities Capital Assets, Net	<u>\$165,723</u>	<u>\$(29,759)</u>	\$ -	<u>\$135,964</u>

Depreciation expenses for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$ 1,240
Public Safety	40,163
Recreation and Culture	<u>1,070</u>
Total	<u>\$42,473</u>

NOTE E – LONG-TERM DEBT:

	July		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	<u>\$11,775</u>	<u>\$560</u>	<u>\$12,335</u>

The Notes originally issued for \$56,500 and dated July 2001 mature annually as scheduled above and bears a variable interest rate.

Changes in long-term debt principal during the period ended March 31, 2004 are summarized as follows:

	<u>April 1, 2003</u>	<u>Additions</u>	<u>Subtractions</u>	<u>March 31, 2004</u>
Governmental Activities:				
Installment loan payable for the Purchase of a 1992 fire truck.	<u>\$26,049</u>	<u>\$ -</u>	<u>\$14,274</u>	<u>\$11,775</u>
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	<u>\$26,049</u>	<u>\$ -</u>	<u>\$14,274</u>	<u>\$11,775</u>

NOTE F – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Local Governmental Unit 2003 ad valorem tax is levied and collectible on December 1, 2003, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2003 taxable valuation of the Local Governmental Unit totaled \$22,384,882, on which ad valorem taxes levied consisted of .8556 mills for the Local Governmental Unit operation purposes and 1.0000 mills for the Local Fire Department. These amounts are recognized in the General Fund and Fire Fund financial statements as revenue.

NOTE G – CONTINGENT LIABILITIES:

Risk Management - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE H – DEFERRED COMPENSATION PLAN:

The Township has a defined contribution retirement plan through Municipal Retirement Systems, Inc., covering all elected and appointed officials, whom are at least 18 years of age. The Township's contributions for all funds amounted to \$2,297 for the year ended March 31, 2004.

The Township's share of the premium due under the policy is computed as 2% of total wages. Each plan participant is 100% vested upon entering the plan.

NOTE I – BUDGET VIOLATIONS:

Public Act 621 of 1978, Section 18 (1), as amended, provides that a Township shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures have been shown on an activity/program level.

The following funds activity/program had excess expenditures over appropriations at March 31, 2004.

<u>Fund</u> <u>Activity/Program</u>	<u>Final</u> <u>Amended Budget</u>	<u>Actual</u> <u>Expenditure</u>	<u>Variance</u>
General:			
Supervisor	\$4,225	\$4,400	\$175
Clerk	4,350	4,460	110
Treasurer	6,050	6,190	140
Cemetery	5,550	7,620	2,070
Ski Hill	3,275	15,252	11,977

REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION

Township of Rock River, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2004

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 34,400	\$ 34,400	\$ 32,126	\$ (2,274)
State sources	66,570	66,570	86,536	19,966
Charges for services	11,500	11,500	15,525	4,025
Interest and rents	5,900	5,900	7,712	1,812
Other revenues	550	550	1,498	948
TOTAL REVENUES	118,920	118,920	143,397	24,477
EXPENDITURES:				
Legislative	5,425	5,175	5,022	153
Elections	-	-	-	-
General services and administration	46,125	48,050	49,345	(1,295)
Public safety	21,205	23,809	22,290	1,519
Public works	6,500	6,425	4,677	1,748
Community and economic development	4,100	3,950	3,801	149
Recreation and culture	8,825	9,835	21,691	(11,856)
Other	22,900	21,836	21,752	84
TOTAL EXPENDITURES	115,080	119,080	128,578	(9,498)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,840	(160)	14,819	14,979
OTHER FINANCING SOURCES (USES):				
Operating transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	3,840	(160)	14,819	14,979
Fund balance, beginning of year, as restated	177,210	177,210	177,210	-
FUND BALANCE, END OF YEAR	\$ 181,050	\$ 177,050	\$ 192,029	\$ 14,979

The accompanying notes are an integral part of these financial statements.

Other Supplemental Information

Township of Rock River, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2004

		2004	
		Final Budget	Actual GAAP Basis
			Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 13,800	\$ 13,647	\$ (153)
Delinquent taxes	5,000	5,505	505
Commercial forest reserve	100	119	19
National forest reserve	1,500	2,604	1,104
Swamp tax	9,500	-	(9,500)
Tax collection fees	4,500	10,251	5,751
Total Taxes	34,400	32,126	(2,274)
State Sources:			
State revenue sharing	66,130	86,096	19,966
State liquor license	440	440	-
Total State Sources	66,570	86,536	19,966
Charges for Services:			
Ski hill	4,500	6,892	2,392
Library	-	2,183	2,183
Village shared expense	2,000	-	(2,000)
Cemetery	5,000	6,450	1,450
Total Charges for Services	11,500	15,525	4,025
Interest and Rents:			
Interest	1,500	2,607	1,107
Rents	4,400	5,105	705
Total Interest and Rents	5,900	7,712	1,812
Other Revenues:			
Miscellaneous other	550	1,498	948
Total Other Revenues	550	1,498	948
TOTAL REVENUES	118,920	143,397	24,477

Township of Rock River, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2004

		2004	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	\$ 3,200	\$ 3,250	\$ (50)
Supplies	355	353	2
Other services and charges	1,620	1,419	201
TOTAL LEGISLATIVE	5,175	5,022	153
ELECTIONS:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	-	-	-
TOTAL ELECTIONS	-	-	-
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	4,225	4,400	(175)
Supplies	-	-	-
Other services and charges	-	-	-
Total Supervisor	4,225	4,400	(175)
Assessor:			
Personnel services	10,250	10,200	50
Supplies	66	4,649	(4,583)
Other services and charges	5,134	512	4,622
Total Assessor	15,450	15,361	89
Clerk:			
Personnel services	4,225	4,400	(175)
Supplies	100	35	65
Other services and charges	25	25	-
Total Clerk	4,350	4,460	(110)

Township of Rock River, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2004

	2004		
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Board of Review:			
Personnel services	\$ 995	\$ 793	\$ 202
Supplies	-	-	-
Other services and charges	305	305	-
Total Board of Review	<u>1,300</u>	<u>1,098</u>	<u>202</u>
Treasurer:			
Personnel services	6,000	6,181	(181)
Supplies	25	-	25
Other services and charges	25	9	16
Total Treasurer	<u>6,050</u>	<u>6,190</u>	<u>(140)</u>
Township Hall and Grounds:			
Personnel services	2,100	1,800	300
Supplies	200	191	9
Other services and charges	8,825	8,225	600
Total Township Hall and Grounds	<u>11,125</u>	<u>10,216</u>	<u>909</u>
Cemetery:			
Personnel services	4,500	6,675	(2,175)
Supplies	359	271	88
Other services and charges	691	674	17
Total Cemetery	<u>5,550</u>	<u>7,620</u>	<u>(2,070)</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>48,050</u>	<u>49,345</u>	<u>(1,295)</u>
PUBLIC SAFETY:			
Police Department:			
Personnel services	450	440	10
Supplies	-	-	-
Other services and charges	-	-	-
Total Police Department	<u>450</u>	<u>440</u>	<u>10</u>

Township of Rock River, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2004

	2004		
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Fire Department:			
Personnel services	\$ 2,280	\$ 2,637	\$ (357)
Supplies	1,798	1,395	403
Other services and charges	19,281	17,818	1,463
Total Fire Department	23,359	21,850	1,509
TOTAL PUBLIC SAFETY	23,809	22,290	1,519
PUBLIC WORKS:			
Streets:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	2,000	494	1,506
Total Streets	2,000	494	1,506
Streetlights:			
Other services and charges	2,000	1,779	221
Total Refuse Collection	2,000	1,779	221
Refuse Collection:			
Other services and charges	2,425	2,404	21
Total Refuse Collection	2,425	2,404	21
TOTAL PUBLIC WORKS	6,425	4,677	1,748
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Planning Commission:			
Personnel services	-	-	-
Supplies	100	76	24
Other services and charges	3,850	3,725	125
Total Appeals Board (Zoning and Planning)	3,950	3,801	149
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	3,950	3,801	149

Township of Rock River, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2004

		2004	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
RECREATION AND CULTURE:			
Parks and Recreation:			
Personnel services	\$ -	\$ -	\$ -
Supplies	175	175	-
Other services and charges	2,935	2,884	51
Total Parks and Recreation	<u>3,110</u>	<u>3,059</u>	<u>51</u>
Ski Hill:			
Personnel services	-	479	(479)
Supplies	560	-	560
Other services and charges	2,715	14,773	(12,058)
Total Ski Hill	<u>3,275</u>	<u>15,252</u>	<u>(11,977)</u>
Library:			
Personnel services	3,380	3,310	70
Supplies	31	31	-
Other services and charges	39	39	-
Total Library	<u>3,450</u>	<u>3,380</u>	<u>70</u>
TOTAL RECREATION AND CULTURE	<u>9,835</u>	<u>21,691</u>	<u>(11,856)</u>
OTHER:			
Fringe Benefits:			
Social security	1,050	1,048	2
Retirement	50	-	50
Total Fringe Benefits	<u>1,100</u>	<u>1,048</u>	<u>52</u>
Insurance and bonds	18,040	18,040	-
Miscellaneous	2,696	2,664	32
TOTAL OTHER	<u>21,836</u>	<u>21,752</u>	<u>84</u>
TOTAL EXPENDITURES	<u>119,080</u>	<u>128,578</u>	<u>(9,498)</u>
EXCESS OF REVENUES OVER			
(UNDER) EXPENDITURES	<u>(160)</u>	<u>14,819</u>	<u>14,979</u>

Township of Rock River, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2004

	2004		
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES):			
Loan proceeds	\$ -	\$ -	\$ -
Operating Transfers (Out):			
Fire Fund	-	-	-
Total Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	(160)	14,819	14,979
Fund balance, beginning of year	177,210	177,210	-
FUND BALANCE, END OF YEAR	<u>\$ 177,050</u>	<u>\$ 192,029</u>	<u>\$ 14,979</u>

Township of Rock River, Michigan
NON-MAJOR GOVERNMENTAL FUNDS
FIRE FUND

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended March 31, 2004

	Final Amended Budget	Actual GAAP Basis	Variance With Final Budget Positive (Negative)
REVENUES:			
Property Taxes			
Current Property Taxes	\$ 16,000	\$ 15,951	\$ (49)
Delinquent Property Taxes	3,000	6,433	3,433
Commercial Forest Reserve	100	140	40
Total Property Taxes	19,100	22,524	3,424
Interest	25	76	51
TOTAL REVENUES	19,125	22,600	3,475
EXPENDITURES:			
Capital Outlay			
Miscellaneous Expenses	500	-	500
Capital Outlay	3,000	-	3,000
Total Capital Outlay	3,500	-	3,500
Debt Service			
Principal	15,000	14,274	726
Interest	2,500	1,315	1,185
Total Debt Service	17,500	15,589	1,911
TOTAL EXPENDITURES	21,000	15,589	5,411
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,875)	7,011	(1,936)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-
CHANGES IN FUND BALANCE	(1,875)	7,011	(1,936)
Fund balance, beginning of year	9,439	9,439	-
FUND BALANCE, END OF YEAR	\$ 7,564	\$ 16,450	\$ (1,936)

Township of Rock River, Michigan

FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

March 31, 2004

	<u>Tax Collection Fund</u>	<u>Total</u>
ASSETS		
Cash and investments	\$ 349	\$ 349
Due from other funds	-	-
TOTAL ASSETS	<u>\$ 349</u>	<u>\$ 349</u>
LIABILITIES		
Due to other funds	\$ 349	\$ 349
Due to others	-	-
TOTAL LIABILITIES	<u>\$ 349</u>	<u>\$ 349</u>

Compliance Supplements



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Supervisor and Township Board of Trustees
Rock River Township, Michigan
P.O. Box 195
Chatham, Michigan 49876

We have audited the governmental activities, major funds, and remaining fund information, which collectively comprise the basic financial statements of the Rock River Township, Michigan as of and for the year ended March 31, 2004, and have issued our report thereon dated July 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*. These instances are described in a separate letter to Management dated July 2, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rock River Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of material misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and Township Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, P.L.C.
Certified Public Accountants

July 2, 2004



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

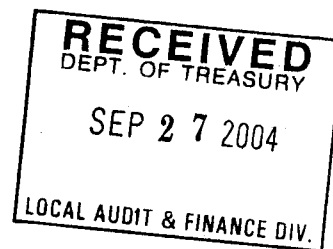
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MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

July 2, 2004



To the Honorable Supervisor and Township Board
Rock River Township, Michigan
P.O. Box 195
Chatham, MI 49816

We have audited the financial statements of the Rock River Township, Michigan for the year ended March 31, 2004, and have issued our report thereon dated July 2, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the organization. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the organization are described in Footnotes to the financial statements. The Township of Rock River, Michigan adopted the provisions of GASB #34 for the reporting year. We noted no transactions entered into by the organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

To the Honorable Supervisor and Township Board
Rock River Township, Michigan

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the organization's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the organization, either individually or in the aggregate, indicate matters that could have a significant effect on the organizational financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us so as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the organizations auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the Township Board and management of the Township and should not be used for any other purpose.

Anderson, Tackman & Company, PLLC
Certified Public Accountants